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Ethics aide says Casey was wrong on trust rules

WASHINGTON (AP) — The head of the Office of Government Ethics said yesterday that CIA Director William J. Casey and his lawyers misunderstood the rules of his blind trust when they excluded his stock in Capital Cities Communications, a media conglomerate planning a takeover of ABC.

Mr. Casey did not put his Capital Cities stock into a blind trust when he established one for most of his other investments in 1983. A spokesman for Mr. Casey said that was because government ethics regulations do not permit such trusts to include a stock that is more than 20 percent of a person's entire holdings.

But David H. Martin, director of the government ethics office, said his office was authorized to grant exceptions to that exclusion rule and could permit the Capital Cities stock to be placed in Mr. Casey's blind trust.

"At the time the trust was set up, I truly think . . . Mr. Casey and his lawyers were under the impression that indeed there was no exception available to them on the Capital Cities stock," Mr. Martin said in a telephone interview.

"In fact, we could have made an exception at that time, had they applied," Mr. Martin added. "They didn't, apparently because they misunderstood they could not."

Mr. Casey said late Wednesday that he was willing to place the shares in the trust. A CIA spokeswoman, Kathy Pherson, said yesterday that the director had sent a letter to his personal attorney who handled the blind trust, Leonard Silverstein, authorizing him to take the steps needed to have the stock moved into the trust.

Mr. Silverstein did not immediately return a reporter's telephone call seeking comment.

Mr. Martin said the office probably would grant an exception and allow the stock to go into the trust.

Ms. Pherson said she did not know the exact number of shares Mr. Casey holds and could not confirm reports that he holds 34,755 shares. That amount would be worth more than \$7 million.

Mr. Casey's latest financial disclosure form, dated May 15, 1984, states that his Capital Cities stock is worth more than \$250,000 and that his wife's holdings were valued at between \$100,001 and \$250,000.

Mr. Casey established the blind trust in October, 1983, while under pressure from Congress because of his stock dealings while CIA director.

Asked if Mr. Casey or his lawyers

misunderstood the blind trust, Ms. Pherson said, "All I know is he had asked his attorney to work out the transfer of securities to a blind trust."

Mr. Martin said regulations of his office under the Ethics in Government Act set a limit of 20 percent in any one block of stock for such a

blind trust in order to assure that the portfolio is diversified and that the securities are readily marketable.

If a person's portfolio is dominated only by one stock, he said, "you don't want a blind trust. You want a recusal." That means, he said, that the person would excuse himself from any consideration or action on

dealings with that company in the course of his government job.

Linda Gustitus, minority staff director of the Senate Government Affairs subcommittee on oversight of government management, which handles ethics matters, said the 20 percent requirement was to ensure the "blindness" of the trust.